

VZCZCXR05527

PP RUEHCHI RUEHDT RUEHFK RUEHHM RUEHKSO RUEHNAG RUEHNH RUEHPB

DE RUEHHI #1251/01 3121033

ZNR UUUUU ZZH

P 071033Z NOV 08

FM AMEMBASSY HANOI

TO RUEHC/SECSTATE WASHDC PRIORITY 8708

INFO RUEHHM/AMCONSUL HO CHI MINH 5277

RUEHGP/AMEMBASSY SINGAPORE 2671

RUCNASE/ASEAN MEMBER COLLECTIVE

RUEHZU/ASIAN PACIFIC ECONOMIC COOPERATION

RUEATRS/DEPT OF TREASURY WASHINGTON DC

RUCPDOC/DEPT OF COMMERCE WASHINGTON DC

RHMFIS/DEPT OF ENERGY WASHINGTON DC

UNCLAS SECTION 01 OF 03 HANOI 001251

SENSITIVE

SIPDIS

STATE FOR EAP/MLS MBROWN

SINGAPORE FOR TREASURY

TREASURY FOR SCHUN

COMMERCE FOR JBENDER

USTR FOR DBISBEE

E.O. 12958: N/A

TAGS: [ECON](#) [ENRG](#) [EAGR](#) [PINR](#) [VM](#)

SUBJECT: ADDRESSING THE ECONOMIC AGENDA DURING U.S. VISIT BY VIETNAM'S ECON "CZAR"

REF A) Hanoi 1185 and HCMC 739 (Media Crackdown);
B) Hanoi 950 (Vietnam Assistance Options);
C) State 117469 ("DOL Hosts US-Vietnam Labor Dialogue");
D) Hanoi 1108 ("Vietnam Economic Highlights");
E) Hanoi 1048 (Civil Nuclear Cooperation);
F) 07 Hanoi 1550 ("New Czars in The Making? The New DPMs")

HANOI 00001251 001.2 OF 003

This cable is Sensitive But Unclassified. For official use only, not for dissemination outside USG channels or posting on the internet.

¶11. (SBU) Summary: The November 8-20 visit to the United States by Deputy Prime Minister (DPM) Hoang Trung Hai, offers a significant opportunity to engage on some of the most important issues in our bilateral agenda with Vietnam's top economic official. DPM Hai has jurisdiction over key portfolios, including energy and mining, trade and investment, and nuclear and environmental cooperation. His aides say his main message in Washington will be that Vietnam wants more and deeper economic engagement with the United States, and that he will be looking for confirmation that we will pursue a similar line during an Obama administration. The Deputy Prime Minister will also promote Vietnam's inclusion in the Generalized System of Preferences, and discuss nuclear cooperation and Vietnam's joining the Trans-Pacific Partnership Agreement. Hai's visit presents us with an opportunity to get Vietnam to focus on the structural reforms essential to Vietnam's development, and to raise private sector concerns about the increasing uncertainty of Vietnam's policies, particularly as they pertain to taxation and contractual obligations, and how this affects investors' perspectives of Vietnam. Finally, as Vietnam's top nuclear policy maker, Hai is well positioned to promote civil nuclear cooperation with the United States and get Vietnam to participate more fully in international fora on nuclear energy. END SUMMARY.

¶12. (U) Deputy Prime Minister Hai, one of Vietnam's five Deputy Prime Ministers (DPM), will lead a delegation of Vietnamese officials to Boston and Washington, DC from November 8 to 21. Hai will be coming from petroleum sector-related visits to Venezuela and Canada. The DPM will be in Boston to attend a United Nations Development Program-sponsored seminar at Harvard University from November 8 to **¶15.** The program, part of the UNDP's Vietnam Leadership Program, will include a three-day session titled "Economic Development and the Role of the State, Global Macroeconomic Conditions and International Trade" and a two-day program on infrastructure and

urbanization. Hai requested a meeting with the Governor of Massachusetts.

13. (SBU) In Washington from November 15 to 21, DPM Hai requested meetings with the secretaries of State, Energy and Commerce, NSC Advisor Price, and USTR Schwab. He plans to attend a private sector lunch organized by the U.S. Chamber of Commerce and the U.S.-Asean Business Council, and meet with former USTR Charlene Barshefsky and Senator Jim Webb. The Department of Energy is arranging a visit to a nearby nuclear power plant.

14. (SBU) Hai's delegation will include Foreign Affairs Vice Minister Doan Xuan Hung, Industry and Trade Vice Minister Nguyen Cam Tu, and Office of the Government Vice Chairman Van Trong Ly. Also attending, but not planning to join in the Washington leg of the trip are Agriculture and Rural Development Vice Minister Bui Ba Bong, National Assembly Vice Chairman Nguyen Chi Dung, Finance Minister Finance and Banking Department Director General Pham Phan Dung, and executives from the state-owned gasoline retail monopoly, Petrolimex and the power company, Electricity of Vietnam (EVN).

HAI'S AGENDA: KEEPING MOMENTUM BETWEEN ADMINISTRATIONS

15. (SBU) Ministry of Foreign Affairs officials told Econoff that DPM Hai's top priority in Washington will be to convey Vietnam's desire to continue deepening our bilateral economic relations at the current pace during an Obama administration. Of particular concern to Hai is the fate of items mentioned in the June 2008 U.S. Vietnam Joint Statement, including Vietnam's application for the Generalized System of Preferences (GSP). Senior GVN officials continue to express hopes that Vietnam will get GSP before the end of the current administration. Vietnam is also considering whether to join the Trans-Pacific Partnership Agreement (TPP), and Hai will want to

HANOI 00001251 002.2 OF 003

know whether the regional free-trade agreement will be endorsed by the new administration. Although Hai is Vietnam's preeminent government official on energy matters, according to his team he does not plan to raise conflicts in the South China Sea over oil exploration.

THE MESSAGE TO HAI: STRUCTURAL REFORM

16. (SBU) Vietnam's desire to keep the strong pace of our economic relations presents us with a good opportunity to get Vietnam's leaders to focus on tackling long-delayed reforms on labor, transparency and corruption, improved IPR protection, and improving governance and accountability (REFS A, B, C). These, we should stress, will raise Vietnam's overall competitiveness as an exporter and investment destination. In addition, these reforms will open new avenues of cooperation with the U.S. and contribute to deepening relations.

17. (SBU) Moving forward on a Bilateral Investment Treaty (BIT) will also promote progress in this regard. The BIT was launched during the Prime Minister's visit in June, with the first round of talks proposed for mid-December. Underscoring our continuing interest in the BIT should help Hai push a bureaucracy that has dragged its feet on getting to the negotiating table. Other areas where prodding Hai may lead to progress include the Prime Minister's Project 30 administrative reforms, Vietnam's consideration of a Customs "single-window", and expanding USAID governance cooperation into areas like civil society-building and broader rule-of-law.

POLICY UNCERTAINTY

18. (SBU) DPM Hai, who oversees Vietnam's energy policy, is regarded as the most influential policymaker in Vietnam's power, mining and industrial sectors. The energy sector has been one of the most troublesome for U.S. investors including Chevron, ConocoPhillips, AES and Gannon. Hai has taken a personal interest in these issues and meets with company executives regularly. The GVN has sown uncertainty with its ever-changing tax regime and demands for

changes in existing production sharing contracts (REF D). Many of these policy changes, whether royalty taxes on mining, luxury taxes on automobiles or import licensing schemes, have been introduced this year with little discussion or lead time despite their significant impact to the private sector. U.S. investors such as Ford, ExxonMobil, Chevron and ConocoPhillips believe these and similar problems are adversely affecting Vietnam's investment climate.

CIVIL NUCLEAR ENERGY

¶19. (SBU) We should use Hai's focus on energy issues to promote increased U.S.-Vietnam nuclear cooperation (REF E). This serves two primary purposes: furthering our international nonproliferation aims through the creation of a safe and secure Vietnamese civil nuclear program, and the eventual development of a market for U.S. nuclear technology and equipment. Building on existing cooperative agreements with the Department of Energy and the Nuclear Regulatory Commission, Hai's planned visit to a nuclear power facility and meetings with the Secretary of Energy and the Director of USTDA provide opportunities to advocate for a closer relationship. For the past several months, we have urged Vietnam to sign a broad, bilateral nuclear cooperation MOU. We hope to have GVN approval for Hai to sign the agreement during his meeting with the Secretary of Energy. If not, we urge this opportunity to advocate for prompt action.

¶10. (SBU) Similarly, the GVN has repeatedly indicated its interest in participating in the Global Nuclear Energy Partnership (GNEP), but failed to send a delegation to the recent GNEP Ministerial in Paris. Senior U.S. interlocutors should urge Vietnamese participation and highlight the many benefits (and no cost) associated with joining this growing organization. Finally, we urge USTDA to build on the Nuclear Orientation Visit it recently funded to urge Vietnam to consider U.S. technology as it develops its nuclear sector. (Note: Embassy Hanoi understands that Hai's TDA meetings have not been confirmed. We have urged MoFA to ensure that

HANOI 00001251 003.2 OF 003

his schedule includes TDA. End Note.) The GVN recently announced plans to build two nuclear power plants by 2020.

BIOGRAPHICAL NOTES

¶11. (U) Hai, 49, became a Deputy Prime Minister (DPM) in August 2007, when the number of DPMs expanded from three to five. Hai is the youngest person ever to hold the position. He was previously the last Minister of Industry, before it was merged with the Ministry of Trade into the current Ministry of Industry and Trade also in August 2007. As one of two economic DPMs, Hai has oversight of industry, trade and investment. Although he has yet to assert full control of these issues, he has taken direct interest in certain investment projects, such as energy and power generation.

¶12. (U) Hai started as an engineer at the state-owned power company Electricity of Vietnam (EVN), rising to CEO in 1998-2000. Hai joined the Communist Party in the early 1990s and served in the powerful Central Committee. He was also a member of the National Assembly. Hai has an engineering degree from the Hanoi University of Technology Technical, and an MBA from Trinity University in Ireland. His B.A. was in political philosophy. Hai was born on September 27, 1959 in Thai Binh Province on the Red River Delta. Hai speaks fluent English and has been known to conduct official meetings in English (which is highly unusual for GVN officials). Third-country mission colleagues advise us that Hai is a heavy smoker, and does not like to spend too much time without a puff.

COMMENT: A GOOD OPENING FOR CONTINUUM

¶13. (SBU) Comment: The Vietnamese's interest in ensuring that the dynamic nature of our bilateral relationship is maintained under a new administration highlights the value the GVN places on the U.S. relations - and the notion that we have a window of opportunity to

influence change and reform in Vietnam. End Comment.

MICHALAK